

FSC-176-B		11/25/97	
SUBJECT: 1998 Forsyth Restructure			
Response Required? <u> X </u> Yes			
Date Required: <u>Two Weeks Prior to Implementation</u>			
DISTRIBUTION:			
<u> X </u> AVP	<u> X </u> KAM	<u> X </u> DM	
<u> X </u> RSM	<u> X </u> AM	<u> X </u> RM	
<u> X </u> RBM	<u> X </u> AE	_____ Sales Rep	
<u> X </u> ROM		_____ Retail Rep	

R mgm

Objective: To explain the 1998 Forsyth off invoice change.

Purpose: To ensure a lower everyday price and set promotional standards on Forsyth brands for 1998.

As retail pricing pressures intensify it has become necessary to adjust Forsyth's programs to maintain our competitive position in the marketplace. Therefore, we are pleased to announce the following change to our contracted Forsyth partner's programs effective January 1, 1998.

Off Invoice: Effective with orders placed by direct accounts to Customer Services on January 1, 1998 or after you are authorized to increase your contracted Private Label accounts off invoice amount to \$3.00 per carton. You should encourage all of your retail contracted accounts, and where practical, your wholesale contracted accounts to take advantage of this change and pass it through to the consumer due to the increased competitive promotional discounting rates at retail.

This increase in off invoice amount can be accomplished with all accounts except those that do not automatically receive their PL Share of Category monthly due to their disadvantaging RJR as submitted by you in January, 1997. Attachment I is a list of these accounts; their maximum off invoice will be \$2.75 since they receive up to \$.25 of their Share of Category payment semiannually based on actual share obtained. The only other exception to the \$3.00 off invoice possibly is the WAM wholesale group. The Trade Marketing Department (Ray Gomez) will communicate to you any changes with these wholesalers.

Enclosed is a "**Confidential - Do Not Copy**" Forsyth PL Pricing example showing a standard pricing example, before and after 1/1/98 (Attachment II). This is for your information only to better answer any questions you may have. Due to state fair trade laws which apply to direct accounts physically located in the states of Maryland, Minnesota, Montana, Nevada, Tennessee and Wisconsin alternate pricing is available. If you have any questions regarding this you should call your Customer Services Representative. For Sales Areas 1 and 5, this is Donna Smitherman, Ext. 3078; for Sales Areas 2 and 6, this is LuAnn Hamby, Ext. 3521.

Attached is a Pricing Restructure Agreement form (Attachment III) you must fill out when making changes with your PL accounts. Upon reaching concurrence with your accounts, you should fax this completed form to Customer Services with the effective shipping date. Please allow two weeks from fax date to effect change. Also, remember in changing off invoice rates for retail contracted customers that their wholesalers will have inventory at the old off invoice, thus a higher cost to them. Refer to the two options below for handling this residual product.

- (A) Tell supplier the effective ship date of newly revised Off-Invoice product as communicated by Customer Services. Upon first receipt of this product, the supplier does a physical inventory of the on-hand product invoiced at the old price. Based on average cartons sold to the chain per week, the supplier will then tell the account when they can expect to see the new invoice price reflected in the chain's stores.

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- (B) Communicate with the supplier the effective ship date of the revised Off-Invoice product, have supplier do a physical inventory of old off-invoiced product upon receipt of new, and retail chain writes supplier a check for difference per carton. This method would start the new pricing at retail immediately. If the retail chain has adequate money in it's Alliance Accrual Fund, you could request a check to the retailer to cover the difference. The check must be written in the name of the retailer.

Alliance Accrual: For our Forsyth PL partners who change to \$3.00 off invoice (\$2.75 for Attachment I customers), their Alliance Accrual rate will reduce to \$.05 per carton. These accrual monies should be accumulated and used as necessary to further promote the accounts PL brand during the third month of each quarter (Plan B periods). This coincides with historically heavy full price and branded savings promotional activity and allows the accounts to further reduce their PL price by \$.15 per carton (3 mos. x \$.05 = \$.15) on all Plan B PL volume or by more if they target only certain geographic areas or stores where the heavy discounting occurs.

Forsyth continues to review additional options for enhancing our Private Label program in 1998. Until these options are finalized, if you have special needs not covered by this change in off invoice, please discuss with your RSM's and AVP's. In the meantime, please do your best to convert your Forsyth contracted customers to this new pricing.

Program Contacts: Your Region Business Manager, Area Manager of Finance, Area Manager of Operations
Mike Moore, extension #2858
Jim Farmer, extension #0470

R. J. REYNOLDS TOBACCO COMPANY

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"CONFIDENTIAL - DO NOT COPY"**Forsyth Direct Account PL Pricing Structure**

	<u>Present</u>	<u>Effective 1/1/98</u>
List	\$10.39	\$10.39
Terms	- .34	- .34
Off-Invoice	\$2.50 (max allowable)	① 3.00 (max allowable)
EFT	- .04	- .04
Alliance Accrual/SOC	- .55	- .05
Partners (average)	- <u>.15</u>	②- <u>.15</u>
NET	\$ 6.81	\$ 6.81

- ① Maximum allowable O/I increases by \$.50 taken from existing AA/SOC.
(Fully qualifying Forsyth partners only)
- ② Partners amount of \$.15 is an average and for illustration purposes only.

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FAX TO: 1-910-741-2156
ATTENTION: Forsyth Tobacco Customer Services

Customer Services Rep_____ **Ext. #**_____

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Account	Brand	Chain ID/ SIS #	RJR Rep	Div #
Retailers				
WAWA	JACKS	0325-00-00	J.M. Piscitelli	1000
Store 24	Legend	0949-00-00	J.L. Merusi	1142
Martin & Bayley / dba Hucks	Pilot	0564-00-00	Randy Kingcade	6944
McCarty-Holman	Valu Time	0986-00-00	David Taylor	2648
Distributors				
Triple C. Wholesaler	Best Choice	14778	Janice M. George	1322
B. Lipsitz	Best Choice	370920	J. R. Ham	1740
Jefferson Wholesale Grocery	Q. Smokes	311040	J. R. Ham	1740
Weirton Wholesale	Value Sense	684530	DL Cunningham	1740
Miller Distributing	Marker	425810	Jim Herlihy	1742
Safiers	Dir's. Choice	562080	Ihor Miskewycz	1744
Madison Grocery	Slim Price	394320	S.B. Schroer	1834
D. E. Mikesell	Slim Price	568298	M.J. Hammond	1840
Dittman Adams	Cardinal	540551	M.J. Hammond	1840
Superfoods	Value & Quality	624790	M.J. Hammond	1840
Novelart/Topicz	Slim Price	434033	M.J. Hammond	1840
Flichia Wholesale	Courier	790441	B. F. Coleman	1844
Miami Cigar & Tobacco	Pace	420120	N. W. McCleary	1844
J.L. Gaddy	Quality Smokes	211020	L.W. Howell	2144
Thomas & Howard	Brandon	639120	David M. Nelson	2144
G.F. Patrick & Co	Cardinal	488940	J.S. Ward	2148
L P. Shanks	Best Choice	353655	H. G. Atkinson	2148
Rice Wholesale	Cardinal	539700	J.S. Ward	2148
Virgina Wholesale	Cardinal	667830	J.S. Ward	2148
Home Folks Wholesale	Pace	334604	J.C. Gaskins	2228
Andrew M. Head/dba Adel Groc	Best Choice	545139	Eddie Parnell	2233
Moultrie Grocery	Slim Price	388828	Eddie Parnell	2233
Sol Loeb	Slim Price	373440	Eddie Parnell	2233
Allison Wholesale	Bargain Buy	341786	M.J. Arfmann	2243
Andalusia Dist Co. ADC	Bargain Buy	015500	C.R. Carter	2243
H. B. Paulk	Best Choice	490080	C.R. Carter	2243
M. O Carroll	Tri-Brand	096840	C.R. Carter	2243
Mithcell Gro.	Slim Price	430200	M.J. Arfmann	2243
Stacy Williams	Brandon	620748	M.J. Arfmann	2243
WL Petrey Wholesale	Brandon	327969	C.R. Carter	2243
GSC Enterprises	Focus	248340	Jeff Rumberger	2640
Capital Tobacco	Slim Price	093540	R.C. Crane	2648
Corr-Williams	Pilot	686094	R.C. Crane	2648
Dixie Tobacco & Candy	Tempo	159240	J.R. Clark	2648
J.J. Rogers & Sons	Best Choice	548400	J.R. Clark	2648
Laurel Cigar	Tri-Brand	355740	R.C. Crane	2648
Summit Tobacco	Tri-Brand	623300	R.C. Crane	2648
Anchor Tobacco	Marker	015480	T.R. Thomasson	2940
Anderson Wholesale	Sebring	016250	T.R. Thomasson	2940
Ashland Specialty	Best Choice	251599	T.R. Thomasson	2940
Centry Distributors, Inc	Best Choice	562250	R. Sullivan	2940
Claude Fanin	Slim Price	188760	Thomas R. Thomas	2940
FA Davis & Sons	Pilot	729770	R. Sullivan	2940
Goldsmith-Sydnor	Slim Price	230520	T.R. Thomasson	2940
McClure Company	Cavalier	434130	T.R. Thomasson	2940
McDowell Supply Co.	Pilot	209124	T.R. Thomasson	2940
The Geroge J Falter Co.	Best Choice	188490	R. Sullivan	2940
Roundy's Scot Lad - Eldorado Div	Slim Price	576220	Jack Geeting	6242
Eastmont Enterprises	Best Choice	761240	D.C. Pope	6338
Preffd Products (ALL)	Value & Quality	Various	Jay Girard	6340

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Thomas & Howard	Brandon	639120	David M. Nelson	2144
G.F. Patrick & Co	Cardinal	488940	J.S. Ward	2148
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Rice Wholesale	Cardinal	539700	J.S. Ward	2148
Virgina Wholesale	Cardinal	667830	J.S. Ward	2148
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